



## Natural Gas Weekly Update

XXXXX

Home &gt; Natural Gas &gt; Natural Gas Weekly Update

Printer-Friendly Version

## Weekly Natural Gas Storage

## U.S. Natural Gas Imports and Exports: 2004

## Residential Natural Gas Prices: What Consumers Should Know

## An Assessment of Prices of Natural Gas Futures Contracts As A Predictor of Realized Spot Prices at the Henry Hub

## Overview of U.S. Legislation and Regulations Affecting Offshore Natural Gas and Oil Activity

## Changes in U.S. Natural Gas Transportation Infrastructure in 2004

## Major Legislative and Regulatory Actions (1935 - 2004)

## U.S. LNG Markets and Uses: June 2004

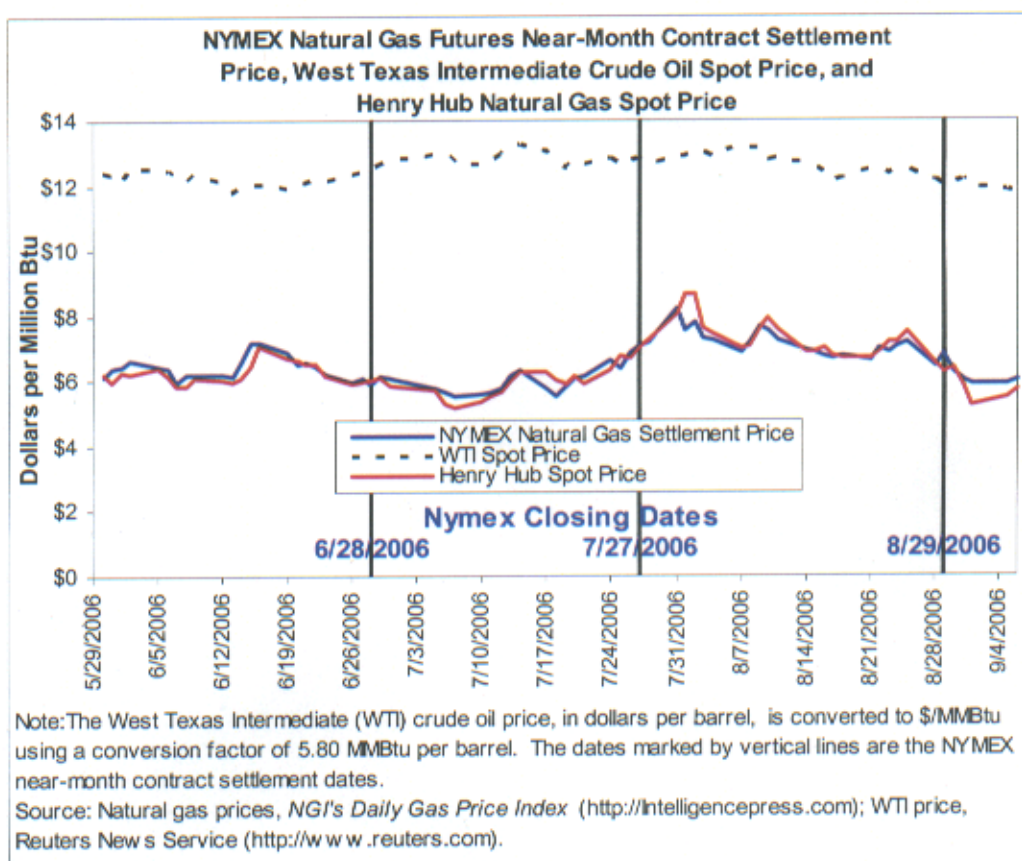
## Natural Gas Restructuring

## Previous Issues of Natural Gas Weekly Update

## Natural Gas Homepage

## EIA's Natural Gas Division Survey Form Comments

**Overview: Thursday, September 7 (next release 2:00 p.m. on September 14, 2006)** Since Wednesday, August 30, natural gas spot prices have decreased at most markets in the Lower 48 States. For the week (Wednesday-Wednesday), prices at the Henry Hub declined 67 cents, or about 10 percent, to \$5.73 per MMBtu. Yesterday (September 7) the price of the NYMEX futures contract for October delivery at the Henry Hub settled at \$5.73 per MMBtu, decreasing roughly 30 cents or about 5 percent since last Wednesday (August 30). Natural gas in storage was 2,976 Bcf as of September 1, which is 12.1 percent below the 5-year average. The spot price for West Texas Intermediate (WTI) crude oil decreased 3.5 percent, or 3.5 percent, on the week to \$67.75 per barrel or \$11.68 per MMBtu, its lowest level since April 25, 2006.

**Prices:**

Moderate temperatures and a favorable supply situation led to widespread declines in gas spot prices in the Lower 48 States since last Wednesday, August 30. An additional decrease in industrial demand resulting from the holiday-shortened week provided downward pressure on prices. Prices at market locations east of the Rocky Mountains declined by an average of 59 cents per MMBtu. The Western market locations saw smaller declines that ranged between 16 and 35 cents per MMBtu. At trading locations

Rocky Mountain region, however, about half of the markets recorded increases that 70 cents, while the remaining locations in the region exhibited only modest decreases week. Despite the increases for the week, the lowest average regional price as of was recorded in the Rockies (\$5.08 per MMBtu), followed by the Midcontinent (MMBtu), and West Texas (\$5.38 per MMBtu). Prices at the Henry Hub decreased or about 10 percent on the week, to \$5.73 per MMBtu. Other market locations in decreased by an average of 67 cents or about 11 percent, to a regional average price per MMBtu. Average prices in Florida and the Northeast of \$6.75 and \$6.11 per respectively, were the highest in the Nation as of yesterday, the only two regions the \$6.00 per MMBtu threshold.

Spot Prices (\$ per MMBtu)	Thur. 31-Aug	Fri. 1-Sep	Mon. 4-Sep	Tue. 5-Sep	Wed. 6-Sep
<b>Henry Hub</b>	5.82	5.25	Holiday	5.46	5.73
<b>New York</b>	6.10	5.37	Holiday	5.88	6.14
<b>Chicago</b>	5.72	5.01	Holiday	5.42	5.64
<b>Cal. Comp. Avg,*</b>	5.65	5.09	Holiday	5.57	5.86
<b>Futures (\$/MMBtu)</b>					
<b>Oct delivery</b>	6.048	5.877	Holiday	6.039	5.994
<b>Nov delivery</b>	8.228	8.057	Holiday	8.079	8.019

\*Avg. of NGL's reported avg. prices for: Malin, PG&E citygate, and Southern California Border Avg.

Source: NGL's Daily Gas Price Index (<http://intelligencepress.com>).

At the NYMEX, the futures contract for October delivery at the Henry Hub exhibit decrease of 30 cents per MMBtu or about 5 percent since last Wednesday to \$5.73 per MMBtu during its first week of trading as the near-month contract. On Friday, Sep 2, the October contract settled at \$5.877 per MMBtu, which was the lowest price contract since January 5, 2005, and the lowest near-month contract price since the 2006 contract settled at \$5.862 per MMBtu on Wednesday, July 19. Similar to the 2006 contract, the November 2006 contract also decreased on the week, settling yesterday at \$8.019 per MMBtu, which was 24 cents or about 3 percent lower on the week. These declines reflect the perception of adequate supplies through the end of the refill season, the lack of a significant hurricane threat so far this season, limited demand for heating needs, and above average storage volumes. However, there appears to be a difference in market expectations and uncertainty between the near months and the longer term ones. The difference between the prices for the November and December 2006 contracts is \$1.92 per MMBtu, with the December contract trading yesterday at \$9.939 per MMBtu. Further, with the exception of the January 2007 contract, all futures contracts from the 2006 contract through the end of the next injection season (October 2007) increased on the week, recording average increases of 14 cents or nearly 2 percent, reflecting expectations of potential tightness in the market over the next year. The futures contract prices for the upcoming heating season traded yesterday at an average of \$9.921 per MMBtu, which is \$2.33 per MMBtu lower than the 2005-2006 heating season strip price of \$12.25 per MMBtu on September 6, 2005. Lack of hurricane activity and a slight increase in production over the past year undoubtedly contributed to the prices that are lower than those of last September.

#### Recent Natural Gas Market Data

#### Estimated Average Wellhead Prices

	Mar-06	Apr-06	May-06	June-06	July-06	Aug-06
Price (\$ per Mcf)	6.52	6.59	6.19	5.80	5.82	6.51
Price (\$ per MMBtu)	6.35	6.42	6.03	5.65	5.67	6.34

Note: Prices were converted from \$ per Mcf to \$ per MMBtu using an average heat content of 1,027 Btu per cubic foot as published in Table A4 of the [Annual Energy Review 2002](#).

Source: Energy Information Administration, Office of Oil and Gas.

### Storage:

Working gas in storage totaled 2,976 Bcf as of Friday, September 1, according to EIA's *Weekly Natural Gas Storage Report*. Working gas inventories are roughly 12 percent above both the 5-year average and the level last year for the report week ([See Storage Figure](#)). The implied net injection during the report week was 71 Bcf, which is about 2 percent above the 5-year average net addition of 69 Bcf for the week and 81 percent higher than the injection of 39 Bcf reported for the same week last year. During the week ended August 31, the National Weather Service reported temperatures that were 11 percent warmer than normal, as measured by the cooling degree days (CDDs) ([See Temperature Maps](#)). However, the cooling degree days were about 13 percent below last year's level for the same report week. Despite the above average volume of natural gas in storage and the more than 8 weeks remaining in the injection season, the November-2006-through-March-2007 strip traded yesterday at a premium of \$4.20 per MMBtu relative to the Henry Hub spot price.

	Current Stocks 9/01/06	One-Week Prior Stocks 8/25/06	Implied Net Change from Last Week	Estimated Prior 5-Year (2001-2005) Average	Percent Difference from 5 Year Average
All Volumes in Bcf					
East Region	1,716	1,673	43	1,536	11.7%
West Region	407	398	9	359	13.4%
Producing Region	853	834	19	759	12.4%
Total Lower 48	2,976	2,905	71	2,654	12.1%

Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database. Row and column sums may not equal totals due to independent rounding.

### Other Market Trends:

**Updated 2006 Atlantic Hurricane Season Projection:** Forecasters at Colorado State University's Tropical Meteorology Project released a report on Friday, September 1, 2006, which significantly reduces the 2006 seasonal forecast of Atlantic basin hurricane activity. The report, by Philip Klotzback and William Gray, titled, "Forecast of Atlantic hurricane activity for September and October 2006 and seasonal update through August" projects that this season will experience 13 tropical storms, 5 hurricanes and 2 intense hurricanes of Category 3 or higher. This is a significant reduction in storm activity compared with forecasts released in April that predicted 17 named storms, 9 hurricanes, and 5 intense hurricanes, and an update in August that predicted 15 named storms, 7 hurricanes and 3 intense hurricanes. As of September 1, only 5 named storms and 1 low-intensity hurricane (Category 1) had developed, and 18 percent of the Net Tropical Cyclone (NTC) activity of the average hurricane season had occurred. In an average year, 33 percent of the NTC activity occurs before the end of August. June and July 2006 had approximately average activity, while August has had below-average activity. The forecast for September calls for 5 named storms,

3 hurricanes, 2 intense hurricanes, and NTC activity of 59, which is slightly above the September-only average value of 48. The October forecast calls for 2 named storms, 1 hurricane, no intense hurricanes, and NTC activity of 12, which is below the October-only average value of 18. The long-term (1950-2000) average is 9.6 named storms, 5.9 hurricanes, and 2.3 intense hurricanes per year. The authors cite several reasons for the downgraded forecast, including an unexpected increase in tropical Atlantic mid-level dryness and a continued trend towards El Nino-like conditions in the eastern and central Pacific.

*Significant New Deepwater Oil and Natural Gas Discovery:* A successful production test in the deepwater Gulf of Mexico has confirmed a significant new oil play in the lower tertiary Eocene (Wilcox) trend. The drilling test took place at the Jack discovery, which is about 270 miles southwest of Louisiana in 7,000 feet of water, more than 4 miles beneath the sea floor. Analysts say that it is possible that as much as 2 to 3 billion barrels of oil have been discovered in this play and it is likely that a considerable amount of undiscovered oil also could be in the Keathley Canyon area nearby. Altogether, the Eocene (Wilcox) trend could hold as much as 15 billion barrels of oil. Although predominantly oil, the play may contain considerable natural gas associated with the oil. It is possible that 1 billion cubic feet per day, or 15 percent of Gulf of Mexico production, could be produced. Given a shortage of rigs capable of drilling below 25,000 feet in ultra-deep water and significant lead times for drilling and completing a well, production of oil and natural gas is not expected to begin until 2012 to 2014.

*Natural Gas Transportation Update:*

- Southern California Gas Company declared a high linepack operational flow order (OFO) for last Saturday and Sunday, September 2 and 3, which was lifted on Monday, September 4. During the OFO period, the company was assessing buy-back charges in accordance with its tariff to customers who deliver more than 110 percent of the expected usage into the SoCal Gas system.
- Tennessee Gas Pipeline Company announced that as of Saturday, September 2, it would not be accepting interruptible storage (IS) nominations across the system because of current storage capacity levels. Furthermore, park and loan payback service (PAL), which is an agreement for gas withdrawal in future months, will not be allowed. A September 5 update announced that the company started accepting nominations for the PAL service, but continues not to accept IS nominations across the system.
- On Wednesday, September 6, Mississippi River Transmission Company (MRT) lifted the system protection warning (SPW) that had been issued September 1 owing to high linepack conditions.
- Questar Pipeline Company announced it will require its interruptible storage (IS) holders at the Clay Basin storage facility located in Daggett County, Utah, to begin withdrawal of all working gas in their accounts beginning Thursday, September 7, because of current inventory levels and projected injection rates. Shippers have 30 days to complete withdrawal of their inventory. IS shippers may transfer volumes to firm storage accounts and no IS injection nominations will be accepted beginning cycle 1 on gas day September 7, 2006.
- Northern Natural Gas Company on Friday, September 1, declared a force majeure at the Redfield underground storage facility that will remain in effect until further notice owing to a leak found in the supply line. The Northern Pipeline Safety Department has required the affected pipeline to be hydrostatically tested. Testing will begin on September 5 and will continue until mid or late September. Interruptible deferred delivery (IDD) injection capacity may be affected by this work. However, Northern

currently does not anticipate any limits on firm deferred delivery (FDD) injection capacity during the hydrostatic test.

[Short-Term Energy Outlook](#)

<http://tonto.eia.doe.gov/oog/info/ngw/ngupdate.asp>

**Need Help?**

phone: 202-586-8800

email: [infoctr@eia.doe.gov](mailto:infoctr@eia.doe.gov)

**Specialized Services from NEIC**

For Technical Problems

phone: 202-586-8959

email: [wmaster@eia.doe.gov](mailto:wmaster@eia.doe.gov)

Energy Information Administration, EI 30

1000 Independence Avenue, SW

Washington, DC 20585

[Home](#) | [Petroleum](#) | [Gasoline](#) | [Diesel](#) | [Propane](#) | [Natural Gas](#) | [Electricity](#) | [Coal](#) | [Nuclear](#)

[Renewables](#) | [Alternative Fuels](#) | [Prices](#) | [States](#) | [International](#) | [Country Analysis Briefs](#)

[Environment](#) | [Analyses](#) | [Forecasts](#) | [Processes](#) | [Sectors](#)